

# APPLICATION FOR REGIONAL SELECTIVE ASSISTANCE Grants in excess of £250,000

## INTRODUCTION

Regional Selective Assistance (RSA) is a grant towards projects aimed at increasing or safeguarding employment in Tier 2 and Tier 3 Assisted Areas\*. RSA is a discretionary scheme targeted at projects which serve wider than simply a local need. All projects must meet our scheme criteria, which are outlined below. Further details of these criteria may be found at [www.scottishbusinessgrants.gov.uk](http://www.scottishbusinessgrants.gov.uk).

## OUR COMMITMENT

We are customer focussed and once we have received a completed application and supporting documentation, we will aim to reach a decision within 40 working days

This form is simple to complete and, as you know your own business best, there is no requirement to employ the services of an external consultant, although you can of course use one if you wish.

**RSA can only be offered where it will make the difference between the project going ahead or not. We cannot offer RSA when the applicant has made a prior commitment to the project**

## CRITERIA

	Yes/No
Will the project take place in a location where the applicant is eligible for support?*	<input type="checkbox"/> Yes
Is it aimed at more than a local market?	<input type="checkbox"/> Yes
Will it involve capital expenditure on fixed assets?	<input type="checkbox"/> Yes
Will jobs be directly created or safeguarded in your business?	<input type="checkbox"/> Yes
Will the project and underlying business be financially viable & profitable within 3 years?	<input type="checkbox"/> Yes
Will most of the funding come from internal/external private sector resources?	<input type="checkbox"/> Yes
Can it be demonstrated that grant is needed to enable the project to proceed?	<input type="checkbox"/> Yes

**Do not complete this application unless you can answer Yes to all of the above**

**If you are in any doubt as to whether your project is likely to meet all of the above criteria, you can e-mail us at [rsa@scotland.gsi.gov.uk](mailto:rsa@scotland.gsi.gov.uk) or call the RSA Enquiry line on 0141 242 8457**

\* To check whether any specific location (postcode required) falls within an eligible area, you can log onto [www.scottishbusinessgrants.gov.uk](http://www.scottishbusinessgrants.gov.uk).



## GENERAL GUIDANCE

The form has been designed to capture the information necessary to appraise applications, however some additional information may be requested during the appraisal process. If a business plan has been prepared you may cross reference sections of the application to this. Please quote specific references and only do so if the business plan explicitly provides the information required.

## SECTION 1 - BACKGROUND INFORMATION

### 1.1 Applicant Name & Address

Chemring Energetics UK Ltd  
Ardeer Site  
Stevenston  
Ayrshire  
Postcode KA20 3LN

### 1.2 Project Location if Different from 1.1

Postcode

The project must be in either a Tier 2 or Tier 3 (SME) Assisted Area\*. If you are in any doubt contact us at [rsa@scotland.gsi.gov.uk](mailto:rsa@scotland.gsi.gov.uk) or call the RSA Enquiry line on 0141 242 8457.

### 1.3 Company Registration Number (if UK registered)

SC237472

### 1.4 Principal Activities of the Applicant Firm

Manufacture of rocket motors, rocket motor igniters, electro explosive devices, solid propellant gas generators, power cartridges, military demolition detonators, military grade detonating & ignition cords which are used in applications including rocket propulsion systems, release of airborne weapon systems, missile guidance systems, safety & arming units, military demolitions and industrial safety systems.

### 1.5 Year of Establishment

1871

### 1.6 Significant changes in Ownership in Last 5 Years

Acquired by Chemring Group PLC, a defence industry company based in Fareham, Hampshire, on 1st Sept 2005. Previously owned by the Inabata Corporation, a Japanese trading company, since 1st Jan 2002.

### 1.7 Directors/Partners

Name	Position	% Owned
DJ Price	Director	
PA Raynor	Director	
MJ Helme	Director	
IR Cameron	Director	
SJ Cameron (appointed 2009)	Director	

### 1.8 Other Shareholders

Name	% Owned

\* To check whether any specific location (postcode required) falls within either of these areas, you can log onto [www.scottishbusinessgrants.gov.uk](http://www.scottishbusinessgrants.gov.uk).

## SECTION 1 - BACKGROUND INFORMATION (continued)

**1.9 Previous RSA Applications including those by other Group or Related Companies**  
*Include dates and amounts applied for*

Date	Amount Applied For

**1.10 External Advisor (if an external advisor assisted in the completion of this form)**

Name	
Company	
Telephone No.	
E-mail address	

**1.11 Small or Medium-sized Enterprise (SME)**

**We have scope to provide greater assistance to SMEs.**

**A Small-sized Enterprise is one which has less than 50 employees and has either an annual turnover or net assets of less than €10m (£6.7m).**

**A Medium-sized Enterprise is one which has less than 250 employees and has either an annual turnover of less than €50m (£34m) or net assets of less than €43m (£29m).**

**The following information helps to establish whether or not the business is an SME. Staff analysis calculations at 1.11 are only used for the purposes of defining SME status and should include all permanent employees regardless of location. A different, simpler methodology is used at Section 5 for the specific purposes of the RSA scheme.**

<b>Analysis of Permanent Staff Numbers</b>			
	Date of Application	Last Financial Year-end	
Hours Worked per week:	No. of Staff	No. of Staff	
0 - 15 hours	<input type="text"/>	<input type="text"/>	
15 - 30 hours	5	5	
30+ hours	268	222	
<b>Staff working exactly 15 hrs should be included in the 0 - 15 hrs category and those working 30 hrs should be in the 15 - 30 hrs category</b>			

**Annual Turnover (last year)**  **Net Assets (last year end)**

**If the business is a start-up, the net assets and turnover criteria will not apply.**

**We are required to take account of data relating to partner and linked enterprises and we may ask for further information during the appraisal process:**

**Partner** – if it holds 25% or more but no more than 50% of the shareholding/voting capital of another enterprise or 25% or more but no more than 50% of its shareholding/voting rights are held by another enterprise.

**Linked** – if it holds more than 50% of shareholding/voting capital of another enterprise or more than 50% of its shareholding/voting rights are held by another enterprise.

**Yes**  **No**

**1.12 Does the Applicant Company Have Any Partner Enterprises?**

x

**1.13 Does the Applicant Company Have Any Linked Enterprises?**

x

**1.14 Website Address**

**If you are a member of a group, now go to Section 2, otherwise go straight to Section 3**

## SECTION 2 - GROUP DETAILS

If not a member of a group go to section 3

**2.1 Immediate Parent** Name   
Country of Registration

**2.2 Ultimate Parent** Name   
*(if different from 2.1)* Country of Registration

**2.3 Total No of Group Employees**  (of which  in the UK)

### 2.4 Principal Group Activities

Manufacture of Pyrotechnics, battlefield simulation products, flares, cartridge/propellant actuated devices, explosive ordnance disposal equipment, propellants, munitions and expendable countermeasures. The group is split into two key product groups namely Countermeasures and Energetics. CEUK operates within the Energetics division. Full details are provided in the 2008 group accounts appended to this application.

### 2.5 Group Trading Results (past 3 years)

Financial Year End	Turnover (£'000)	Pre Tax Profit/(Loss) (£'000)
<input type="text" value="2007/08"/>	<input type="text" value="354,200"/>	<input type="text" value="57,700"/>
<input type="text" value="2006/07"/>	<input type="text" value="254,700"/>	<input type="text" value="49,800"/>

### 2.6 Commentary on the Figures at 2.5

*Include, for example, detail of the main factors influencing sales growth, performance of other Divisions etc*

Chemring plc is split into two key divisions, countermeasures and energetics. CEUK operates as a business unit within the energetics division. Both divisions have shown significant growth over the last two years through both organic growth and acquisition. The energetics division has grown turnover from £69.3m in 2006 to £197m in 2008, of which £177m was a result of continuing operations. Chemring is focussed on delivering growth through new product development, acquisition and organic product market development and production efficiencies. For more details, see the comments in the Group annual accounts appended to this application.

## SECTION 3 - PROJECT

**3.1 Total Project Capital Expenditure** £18,980K  
(agree to Appendix 1)

### 3.2 Project Description

*Provide a full description of the project. Why is the project being undertaken? What are the benefits of the project? How will it improve the applicant's competitive position?*

The Ardeer Site Expansion and Improvement Project is a series of autonomous projects all designed to bring new business to the Ardeer peninsula. The project will allow CEUK to take advantage of market moves that have resulted in a gap in the manufacture of explosives in the UK. With the remoteness of the site and the existing explosive licences and consents, the Ardeer site is well placed to attract new business in the field of energetic materials and products. In a market dominated by overseas competitors, a number of which are at least part state owned, the key to success is being able to compete in both product quality and cost. If this can be achieved CEUK will reverse the trend of decline at the Ardeer site and contribute to future years of growth for both the business and the surrounding area. The development will be achieved through the introduction of new products and processes to Ardeer in order to expand the product portfolio and as a result increasing both turnover and profit. The majority of the projects listed within the application are aimed at improving the competitiveness nature of CEUK through establishing new products and facilities to develop those products. The benefits that will accrue to CEUK through this expansion programme will be the increase in the company's status and scale within the market sectors in which it competes and as a result improve the competitiveness of the business going forward. However due to many years of decline and substantial under investment by previous owners ( 1995 - 2005), there is a significant need to improve the basic facilities on the site in addition to investment in new assets. In order to successfully achieve the new expansion elements of the investment plan it is essential to deliver the infrastructure improvements also. by improving areas such as utility supply, environmental compliance and storage capacity it will provide the structure to build an effective and competitive operating facility which will provide the confidence to add new production capacity. By achieving all of this the existing jobs on site will be sustained and the forecast increase in headcount can be delivered.

## SECTION 4 - MARKET

**Projects aimed at a mainly local market or a market which is already well served do not generally qualify for grant as these are likely to displace jobs elsewhere in the UK.**

### 4.1 Main Products/Service Categories

Percentage of sales for the last 2 completed years

Product/Service	Financial Year End			
	£'000	%	£'000	%

### 4.2 Exports

Please provide details of the percentage of your sales made outwith Scotland

Most recent financial year  
When your Project is complete

%
100.00
100.00

### 4.3 Market

*What are the growth prospects for the overall market? What are the applicant's growth prospects within this and why? Please continue on a separate page if required.*

CEUK does not hold a majority shareholding in any of the segments in which it operates and therefore even without significant growth in the market there is clear scope for winning business from existing incumbents. There are no direct competitors based in Scotland and therefore an increase in business will be the result of new business to the Scottish economy. Key growth will be in munitions and EOD markets through rocket motors, CAD/PAD, and propellant manufacture

Source of Market Data

### 4.4 Main Customers

*List 5 largest customers in the most recent financial year; and value of sales to them in that year. For start-ups, list main potential customers*

Name	Location (Town)	£'000	%

## SECTION 4 - MARKET (continued)

### 4.5 Main Competitors

Name	Location (Town)

### 4.6 Impact on Competitors

*What will the impact of the project be on the competitors listed at 4.4?*

As detailed earlier the growth in sales is forecast to arise from winning business away from existing incumbents.

## **SECTION 5 - EMPLOYMENT AT PROJECT LOCATION**

**Include only permanent staff directly employed by the applicant at the project location. Do not include self-employed, subcontract or temporary jobs or staff working predominantly away from the project premises e.g. field sales posts.**

A full-time employee is one working 30 hours or more per week. A part-time employee is one working 15 hours or more, but less than 30 hours per week. 2 part-time posts equal 1 full-time post and therefore these 2 posts are considered to be 1 FTE.

## 5.1 Total company employment

5.2 Base Employment at Project Location At Date of Application	FT	PT	FTE
	224	1	224.5

**At Date of Project Commencement**      **Date**      **11-09**      **224**      **1**      **224.5**

### **5.3 Projected Total Employment at Project Location**

	With Project			Without Project		
Financial Year End	FT	PT	FTE	FT	PT	FTE
2009	224	1	224.5	224	1	224.5
2010	244	1	244.5	234	1	234.5
2011	296	1	296.5	271	1	271.5
2012	364	1	364.5	295	1	295.5

231.5  
265.5  
279.5

#### **5.4 Employment Effects of the Project**

401

FTE

### Employment Created

#### **Employment Safeguarded**

**Total (A minus B)**

69

**Jobs can only be considered as safeguarded where there is a real threat that they will be lost in the near future if the project does not proceed**

### **5.5 Analysis of Created/Safeguarded Jobs**

Job Category	Number of Jobs		Basic Average Annual Salary
	Created FTE	Safeguarded FTE	
Production			
Supervisory			
Warehouse			
Delivery			
Administration			
Research & Development			
Sales			
Field sales			
Management			
Directors			
Other (please specify):			
		Trades Analytical	
<b>Totals (Ensure these equate to 5.4)</b>	<b>69.0</b>	<b>0.0</b>	

**The information supplied at 5.5 will be considered in determining job quality. In assessing value for money, job quality will be taken into account when establishing the level of any offer of RSA**

## SECTION 5 - EMPLOYMENT AT PROJECT LOCATION (continued)

### 5.6 Key Personnel

*Provide details of all key personnel excluding the directors/partners mentioned at 1.8.*

Name	Current Position

**CVs should be provided for all key personnel listed at 5.6**

## SECTION 6 - CASE FOR REGIONAL SELECTIVE ASSISTANCE

It must be demonstrated that RSA is necessary to enable the project to proceed as envisaged in terms of nature, scale, timing or location

Information supplied in this section should be consistent with the information provided in the financial appendices submitted along with this application

6.1 Amount of Grant Sought £1950k

6.2 Grant is needed to (place X in appropriate boxes)

fill a funding gap	reduce gearing/risk	meet established investment criteria	influence location of project	increase scale/reduce timing
X		X	X	

6.3 Need for Grant & Basis of Calculation

Provide a full explanation of the reasons indicated at 6.2 above. Refer to overdraft limits, funding gaps shown in cashflow forecasts, group investment criteria, alternative location costs, gearing, assessment of risk, sensitivity analysis etc.

Chemring plc has grown substantially through the last few years largely as a result of acquisition with over 25 business units globally.

Within the group there are other similar sites, Italy and the USA being prime examples, where products produced at Ardeer could also be made. This creates a direct internal competitor for the placement of capital projects. Therefore grant support which will allow a lower net request will increase the competitiveness of the Ardeer site to gain investment. The increased competitiveness will increase the profitability of the site increasing the ability to win future investment as the confidence in the site increases.

6.4 External Financing

Provide details of additional external financing for the project e.g. amounts, finance providers and loan terms etc.

None. Financing will be through Chemring plc funding.

6.5 Other Public Sector Assistance

Provide details of any funding for the project provided by, for example, your LEC or Council.

None

**DECLARATION AND UNDERSTANDING**

Yes	No
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Has any director/partner/company secretary been disqualified from being a company director under the Company Directors Disqualification Act (1986) or been the proprietor, partner or director of a business subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?

	No
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Has any director/partner/company secretary been bankrupt or subject to an arrangement with creditors?

	No
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Has any director/partner/company secretary been the proprietor, partner, director or company secretary of a business subject to any formal insolvency procedure such as Receivership, Liquidation, Administration or subject to an arrangement with its creditors?

	No
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Has any director/partner/company secretary been the proprietor, partner, director or company secretary of a business requested to repay a grant under any Government scheme? This includes any company requested to pay grant while subject to any insolvency procedure, where the director/company secretary knew or ought reasonably to have expected that any request to pay grant could be made?

	No
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Answering "Yes" to any of the above questions need not disqualify you from receiving grant. If you have answered "Yes", please provide further information on a separate sheet

**Applications must be signed by the company secretary or executive director (in the case of a company) or by the proprietor or a partner.**

I declare that the information on this form, and any other information given in support of this application, is full and correct to the best of my knowledge.

Signed

Name (Block letters)

Position in your organisation

Managing Director

Telephone No.

E-mail address

Date

If the above person is not the main contact with whom this application should be discussed, please supply the relevant contact details below:

Name (Block letters)

Position in your organisation

Finance Director

E-Mail address

Telephone No.

**CHECKLIST**

**The more fully documented a case is the more quickly it can be processed.**

**Therefore ensure that you have completed all relevant sections and enclose the following along with your application:-**

Tick appropriate box		
Yes	No	N/A
x		
x		
x		

A copy of each of your last 2 years' final (audited) accounts  
A copy of the most recent Group accounts (if appropriate)  
Latest Management Accounts (if available)  
A copy of your Business Plan (if available)  
CVs for directors/partners

Once completed this form together with enclosures should be returned to:-

Regional Selective Assistance  
Innovation & Investment Grants Division  
The Scottish Government  
Enterprise, Energy and Tourism Directorate  
c/o Scottish Enterprise, 3rd Floor, Atrium Court  
50 Waterloo Street  
Glasgow G2 6HQ

If you have any questions, contact us at [rsa@scotland.gsi.gov.uk](mailto:rsa@scotland.gsi.gov.uk) or call the RSA Enquiry line on

0141 242 8457

# APPLICATION FOR REGIONAL SELECTIVE ASSISTANCE

## FINANCIAL APPENDICES

The purpose of the financial appendices is to provide a summary of the financial implications of the project. If they are completed correctly the application can be appraised more quickly.

Forecasts should begin with the current financial year with at least a further 3 complete years required. **The current financial year should always be the first year of the forecast.**

When completing this spreadsheet **only the yellow shaded areas need be completed**, all other cells are the result of calculations or figures input elsewhere on the spreadsheet, although it is recommended that you should reconcile these results with your own workings. **Before inputting any figures, please complete the parameter cells in Sheet App1.** It should be noted that these appendices are intended to summarise information from audited accounts, trading and cashflow forecasts, and projected balance sheets. While the spreadsheet does contain certain basic calculations and ensures consistency of figures throughout, the financial appendices are not designed as a means to compile the forecasts.

**Sheet App7, App8 and App9 should only be completed for those applications for assistance in excess of £2 million.** Applications involving UK-owned companies with an alternative project overseas should ensure that all sets of projections in App8 are completed.

The financial appendices will be scrutinised in detail and you should be prepared to explain the basis of their contents. It is therefore recommended that all working papers etc relating to the completion of these forms are retained until an appraisal is completed.

Pages 14 through 25 redacted for the following reasons:

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S33(1)(b), S36(2)